



Investor Compensation Fund

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1 General

In compliance to Law 144(I)/2007, the Company is a member of the Investor Compensation Fund (ICF) for the Clients of Cyprus Investment Firms (CIFs).

The object of the ICF is to secure the claims of the covered Clients against Cyprus Investment Firms, members of the ICF, through the payment of compensation in cases where the CIF concerned is unable, due to its financial circumstances and when no realistic prospect of improvement in the above circumstances in the near future seems possible:

- (a) to return to its covered Clients funds owed to them or funds which belong to them but are held by the CIF in the context of providing investment services to the said Clients or
- (b) to hand over to covered Clients financial instruments which belong to them and which the CIF concerned holds, manages or keeps on their account.

The ICF does not cover Professional investors but only retail Clients of CIFs.

The amount of compensation payable to each covered Client is calculated in accordance with the legal and contractual terms governing the relation of the covered Client with the Company, subject to the rules of setoff applied for the calculation of the claims between the covered Client and the Company.

The calculation of the payable compensation derives from the sum of total established claims of the covered Client against the Company, arising from all covered services provided by the Company and regardless of the number of accounts of which the Client is a beneficiary, the currency and place of provision of these services.

The total payable compensation to each covered Client of an ICF's member may not exceed €20,000, irrespective of the number of accounts held, currency and place of offering the investment service.

In the case whereby beneficiaries of a joint account of the Company are in their majority covered Clients:

- (a) The maximum amount payable to all co-beneficiaries of the account comes up to the amount of twenty thousand Euros (EUR 20,000); and
- (b) The compensation is fixed on the whole for all co-beneficiaries of the joint account and is divided amongst them, in the way determined in the agreement between the co-beneficiaries and the Company; otherwise, in the absence of such agreement, it is divided equally amongst them.

2 Non-Covered Clients

2.1

Under applicable Regulation the Fund does not compensate the following investor categories:

- (1) The following categories of institutional and professional investors:
 - (a) Investment Firms (IFs).
 - (b) Legal entities associated with the member of the Fund and, in general, belonging to the same group of companies.
 - (c) Banks.
 - (d) Cooperative credit institutions.
 - (e) Insurance companies.
 - (f) Collective investment organizations in transferable securities and their management companies.
 - (g) Social insurance institutions and funds.
 - (h) Investors characterized by the member as professionals, upon their request, in accordance with articles 14 and 15 of the Code of Professional Conduct of IFs.
- (2) States and international organizations.

- (3) Central, federal, confederate, regional and local administrative authorities.
- (4) Enterprises associated with the member of the Fund, in accordance with the Fifth Schedule of the Law 144(l).
- (5) Managerial and administrative staff of the member of the Fund.
- (6) Shareholders of the member of the Fund, whose participation directly or indirectly in the capital of the member of the Fund amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of the member of the Fund, as well as persons responsible for the carrying out of the financial audit of the member of the Fund as provided by the Law, such as its qualified auditors.
- (7) Investors having in enterprises connected with the member of the Fund and, in general, of the group of companies, to which the member of the Fund belongs, positions or duties corresponding to the ones listed in paragraphs (5) and (6).
- (8) Second-degree relatives and spouses of the persons listed in paragraphs (5), (6) and (7), as well as third parties acting for the account of these persons.
- (9) Apart from the investors referred to in subsection (2) of section 55 of the Law 144(l), investors-Clients of a member of the Fund responsible for facts pertaining to the member of the Fund that have caused its financial difficulties or have contributed to the worsening of its financial situation or which have profited from these facts.
- (10) Investors in the form of a company, which due to its size, is not allowed to draw a summary balance sheet in accordance with the Companies Law or a corresponding law of a Member State of the European Union.
- (11) The ICF shall pay no compensation to individuals against whom criminal proceedings under the provisions of the Prevention and Suppression of the Legalization of Proceeds from Criminal Activities Law of 2007, as amended or replaced, are pending.

2.2

In the cases of paragraphs 4.2.1[(5), (6), (7) and (8)], the Fund suspends the payment of compensation informing the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

3 Covered Services

Covered services of the Company are the investment services of:

- (a) Reception and transmission of orders in relation to one or more of the Financial Instruments.
- (b) Execution of orders on behalf of Clients.

and the Ancillary Service of:

- (a) Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management.

4 Compensation Payment Process

The ICF compensates the covered Clients for claims arising from the covered services provided by the Company, when failure by the Company to fulfil its obligations has been ascertained.

The following constitutes failure by the Company to fulfil its obligations:

- (a) Either to return Client fund to its covered Clients which are held by the Company indirectly in the framework of the provision by the Company to the said Clients of covered services, and which the latter requested the Company to return, in exercise of their relevant right; or
- (b) To return to the covered Clients financial instruments which belong to them and which the Company manages.

The ICF initiates the compensation payment process in one of the following situations:

- (a) CySEC has determined by resolution that that the Company is unable to meet such of its duties as arise from its Clients' claims in connection with the investment services it has provided, as long as such inability is directly related to its financial circumstances with respect to which no realistic prospect of improvement in the near future seems foreseeable, and has issued its decision on the commencement of the compensation payment procedure by the ICF as

well as has published the said decision in the Official Gazette of the Republic of Cyprus as well as on its website on the Internet.

CySEC can issue such decision when at least one of the following preconditions is fulfilled:

- (a) The Company submits to the ICF or to CySEC a written statement declaring its failure to fulfil its obligations towards its Clients; or
- (b) The Company files an application for liquidation in accordance with the provisions of Part V of the Companies Law of Cyprus; or
- (c) CySEC has revoked or suspended the Company's authorization to provide investment services and ascertains that the Company is not expected to be in a position to fulfil its obligations toward its Clients in the near future, for reasons which do not concern a temporary lack of liquidity which can be dealt with immediately.
- (d) A judicial authority has, on reasonable grounds directly related to the financial circumstances of the Company, issued a ruling which has the effect of suspending the investors' ability to lodge claims against it.

Upon issuance of a decision to initiate the compensation payment process by a Court or by CySEC, the ICF publishes, in at least three (3) newspapers of national coverage, an invitation to the covered Clients to make their claims against the Company. The invitation outlines the procedure for submission of the relevant compensation applications, including the deadline for submission and the content of such applications.

The compensation applications of covered Clients with which they make their claims against the Company are submitted to the ICF in writing and must include:

- (a) The name of the claimant-Client;
- (b) The address, telephone and fax numbers as well as any email address of the claimant-Client;
- (c) The Client code that the claimant-Client had with the Company;
- (d) The particulars of the covered services agreement between the ICF and the claimant-Client;
- (e) The type and amount of the alleged claims of the claimant-Client;
- (f) The exposition of the particulars from which the alleged claims of the claimant Client and their amount are delivered;
- (g) Any other information the ICF might or will request.

Upon submission of the compensation applications, the Administrative Committee of the ICF has control especially if:

- (a) The claimant-Client falls within the category of covered Clients;
- (b) The application was timely submitted;
- (c) The claimant-Client is not convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007, as amended or replaced;
- (d) The conditions for the valid submission of compensation applications are fulfilled.

The Administrative Committee rejects the compensation application in case the claimant-Client does not fulfil the conditions previously mentioned, or if at the Administrative Committee's discretion, at least one of the following reasons exists:

- (a) The claimant-Client used fraudulent means in order to secure the payment of compensation by the ICF, especially if it knowingly submitted false evidence;
- (b) The damage suffered by the claimant substantially derived from concurrent negligence or offence on its behalf in relation to the damage it suffered and to its underlying cause.

Upon completion of the valuation, the ICF:

- (a) Issues minutes listing the Clients of the Company which are compensation beneficiaries along with the amount of money each one of them is entitled to receive, and, communicates it to CySEC and the Company within five (5) working days from its issue; and
- (b) Communicates to each affected Client its finding no later than fifteen (15) days from the issue of the aforementioned minutes determining the total compensation amount this Client is entitled to receive.